

# ANNUAL REPORT

LICENSEE

HARRAH'S CASINO HOTEL , ATLANTIC CITY

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

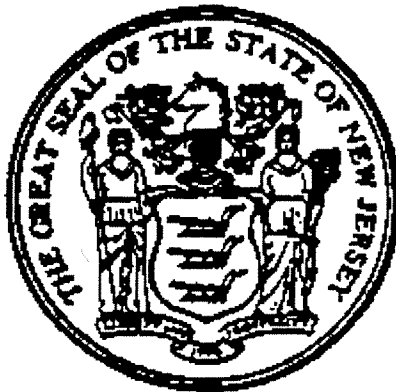
FOR THE YEAR ENDED DECEMBER 31, 2001

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF  
CORRESPONDENCE REGARDING THIS  
QUARTERLY REPORT

**ANTHONY P. RODIO**

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE & CASINO MARKETING

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

**BALANCE SHEETS**

AS OF DECEMBER 31, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents (Note 2).....	\$ 32,518	\$ 31,019
2	Short-Term Investments.....	0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2001, \$1,780; 2000, \$2,984).....	17,915	5,758
4	Inventories (Note 2).....	960	1,094
5	Prepaid Expenses and Other Current Assets (Note 5).....	4,179	3,748
6	Total Current Assets.....	55,572	41,619
7	Investments, Advances, and Receivables (Note 6).....	388,370	250,164
8	Property and Equipment - Gross (Notes 2 and 3).....	661,912	561,429
9	Less: Accumulated Depreciation and Amortization (Notes 2 and 3).....	(250,877)	(229,553)
10	Property and Equipment - Net (Note 2 and 3).....	411,035	331,876
11	Other Assets (Note 7).....	14,466	17,381
12	Total Assets.....	\$ 869,443	\$ 641,040
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 2,064	\$ 2,040
14	Notes Payable.....	0	0
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	0	0
16	Other.....	0	0
17	Income Taxes Payable and Accrued (Note 2).....	865	86
18	Other Accrued Expenses (Note 9).....	39,828	22,368
19	Other Current Liabilities.....	523	724
20	Total Current Liabilities.....	43,280	25,218
	Long-Term Debt:		
21	Due to Affiliates.....		
22	Other (Note 4).....	650,000	500,000
23	Deferred Credits (Note 2).....	906	968
24	Other Liabilities (Note 10).....	43,756	45,484
25	Commitments and Contingencies (Note 2)		
26	Total Liabilities.....	737,942	571,670
27	Stockholders', Partners', or Proprietor's Equity.....	131,501	69,370
28	Total Liabilities and Equity.....	\$ 869,443	\$ 641,040

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2001	(d) 2000
	<b>Revenue:</b>		
1	Casino .....	\$ 403,882	\$ 400,356
2	Rooms .....	28,841	27,833
3	Food and Beverage .....	46,584	43,355
4	Other .....	9,285	9,502
5	Total revenue .....	488,592	481,046
6	Less: Promotional Allowance (Note 2) .....	56,518	53,146
7	Net revenue .....	432,074	427,900
	<b>Costs and Expenses:</b>		
8	Cost of goods and services .....	197,392	201,788
9	Selling, general, and administrative .....	75,543	77,928
10	Provision for doubtful accounts .....	54	408
11	Total costs and expenses .....	272,989	280,124
12	Gross Operating Profit .....	159,085	147,776
13	Depreciation and amortization .....	24,024	22,570
	Charges from affiliates other than interest:		
14	Management Fees .....	0	0
15	Other ..... Note 11 .....	45,136	28,542
16	Income (Loss) from Operations .....	89,925	96,664
	<b>Other Income (Expenses):</b>		
17	Interest (expense) - affiliates - .....	0	0
18	Interest (expense) - external .....	(34,879)	(38,500)
19	Investment alternative tax and related income .... (expense) - net .....	(2,269)	(1,172)
20	Nonoperating Income (expense) - net (Note 12) .....	14,879	642
21	Total other income (expenses) .....	(22,269)	(39,030)
22	Income (Loss) Before Income Taxes and Extraord. Items .....	67,656	57,634
23	Provision (credit) for income taxes (Note 2) .....	5,525	4,955
24	Income (Loss) Before Extraordinary Items .....	62,131	52,679
25	Extraordinary items (net of income taxes - 2001, \$0; 2000, \$0) .....	0	0
26	Net Income (Loss) .....	\$ 62,131	\$ 52,679

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2001	(d) 2000
	<b>Revenue:</b>		
1	Casino .....	\$ 95,498	\$ 91,689
2	Rooms .....	6,684	6,329
3	Food and Beverage .....	10,700	10,522
4	Other .....	1,786	2,157
5	Total revenue .....	114,668	110,697
6	Less: Promotional Allowance (Note 2) .....	13,064	13,157
7	Net revenue .....	101,604	97,540
	<b>Costs and Expenses:</b>		
8	Cost of goods and services .....	46,903	48,802
9	Selling, general, and administrative .....	18,670	18,202
10	Provision for doubtful accounts .....	54	(126)
11	Total costs and expenses .....	65,627	66,878
12	Gross Operating Profit .....	35,977	30,662
13	Depreciation and amortization .....	5,797	5,717
	Charges from affiliates other than interest:		
14	Management Fees .....	0	0
15	Other (Note 11) .....	11,154	7,029
16	Income (Loss) from Operations .....	19,026	17,916
	<b>Other Income (Expenses):</b>		
17	Interest (expense) - affiliates - .....	0	0
18	Interest (expense) - external .....	(10,854)	(9,892)
19	Investment alternative tax and related income .... (expense) - net .....	(854)	(75)
20	Nonoperating Income (expense) - net (Note 12) ...	14,845	302
21	Total other income (expenses) .....	3,137	(9,665)
22	Income (Loss) Before Income Taxes and Extraord. Items	22,163	8,251
23	Provision (credit) for income taxes (Note 2) .....	2,972	2,478
24	Income (Loss) Before Extraordinary Items .....	19,191	5,773
25	Extraordinary items (net of income taxes - 2001, \$0; 2000, \$0) .....	0	0
26	<b>Net Income (Loss) .....</b>	<b>\$ 19,191</b>	<b>\$ 5,773</b>

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001  
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 1999	\$165,954	(\$149,263)	\$0	\$16,691
2	Net Income - 2000		52,679		\$52,679
3	Capital Contributions.....				
4	Capital Withdrawals.....		0		\$0
5	Partnership Distributions.....				
6	Prior Period Adjustments.....				
7	.....				
8	.....				
9	.....				
10	Balance, December 31, 2000	165,954	(96,584)	0	69,370
11	Net Income - 2001		62,131		\$62,131
12	Capital Contributions.....				
13	Capital Withdrawals.....		0		\$0
14	Partnership Distributions.....				
15	Prior Period Adjustments.....				
16	.....				
17	.....				
18	.....				
19	Balance, December 31, 2001	\$165,954	(\$34,453)	\$0	\$131,501

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2001	(d) 2000
1	<b>Net Cash Provided (Used) by Operating Activities</b> .....	\$ (40,261)	\$ 40,326
	<b>Cash Flows from Investing Activities:</b>		
2	Purchase of short-term investment securities .....	0	0
3	Proceeds from the sale of short-term investment securities .....	0	0
4	Cash outflows for property and equipment .....	(103,214)	(37,219)
5	Proceeds from disposition of property and equipment .....	92	0
6	Purchase of casino reinvestment obligations .....	(5,122)	(5,075)
7	Purchase of other investments and loan advances made .....	0	0
8	Proceeds from disposal of investments and collection of advances and long-term receivables .....	0	4,308
9	Cash outflows to acquire business entities .....	0	0
10	Write Off Abandoned Projects .....	4	109
11		0	0
12	<b>Net Cash Provided (Used) by Investing Activities</b> ..	(108,240)	(37,877)
	<b>Cash Flows from Financing Activities:</b>		
13	Cash proceeds from issuance of short-term debt .....	0	0
14	Payments to settle short-term debt .....	0	0
15	Cash proceeds from issuance of long-term debt .....	160,000	0
16	Costs of issuing debt .....	0	0
17	Payments to settle long-term debt .....	(10,000)	0
18	Cash proceeds from issuing stock or capital contributions .....	0	0
19	Purchases of treasury stock .....	0	0
20	Payments of dividends or capital withdrawals .....	0	0
21	Transfer to Affiliates .....	0	0
22			
23	<b>Net Cash Provided (Used) by Financing Activities</b> .....	150,000	0
24	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b> .....	1,499	2,449
25	<b>Cash and Cash Equivalents at Beginning of Period</b> .....	31,019	28,570
26	<b>Cash and Cash Equivalents at End of Period</b> .....	\$ 32,518	\$ 31,019
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
	<b>Cash Paid During Period for:</b>		
27	Interest (net of amount capitalized) .....	\$ 27,756	\$ 36,003
28	Income Taxes .....	\$ 4,320	\$ 5,225

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2001	(d) 2000
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net Income (loss) . . . . .	\$ 62,131	\$ 52,679
	Noncash items included in income and cash items excluded from income: . . . . .		
30	Depreciation and amortization of property & equipment . . . . .	24,024	22,570
31	Amortization of other assets . . . . .	344	409
32	Amortization of debt discount or premium . . . . .	0	0
33	Deferred income taxes - current . . . . .	0	0
34	Deferred income taxes - noncurrent . . . . .	(62)	(366)
35	(Gain) loss on disposition of property & equipment . . . . .	(65)	24
36	(Gain) loss on casino reinvestment obligation . . . . .	0	0
37	(Gain) loss from other investment activities . . . . .	0	0
38	Net (increase) decrease in receivables and patrons checks . . . . .	(12,157)	855
39	Net (increase) decrease in inventories . . . . .	134	274
40	Net (increase) decrease in other current assets . . . . .	(431)	(884)
41	Net (increase) decrease in other assets . . . . .	2,571	24
42	Net increase (decrease) in accounts payables . . . . .	24	(1,089)
43	Net increase (decrease) in other current liabilities excluding debt . . . . .	18,038	2,797
44	Net increase (decrease) in other noncurrent liabilities excluding debt . . . . .	(1,728)	(2,098)
45	Net increase in other receivables or advances . . . . .	(133,084)	(34,869)
46			
47	<b>Net Cash Provided (Used) by Operating Activities . . . . .</b>	<b>\$ (40,261)</b>	<b>\$ 40,326</b>
<b>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION</b>			
	<b>Aquisition of Property and Equipment:</b>		
48	Additions to property and equipment . . . . .	\$ 103,214	\$ 37,219
49	Less: capital lease obligations incurred . . . . .	0	0
50	<b>Cash Outflows for Property and Equipment . . . . .</b>	<b>\$ 103,214</b>	<b>\$ 37,219</b>
	<b>Acquisition of Business Entities:</b>		
51	Property and equipment acquired . . . . .	\$	\$
52	Goodwill Acquired . . . . .		
53	Net assets acquired other than cash, goodwill, and property and equipment . . . . .		
54	Long-term debt assumed . . . . .		
55	Issuance of stock or capital invested . . . . .		
56	<b>Cash Outflows To Acquire Business Entities . . . . .</b>	<b>\$</b>	<b>\$</b>
	<b>Stock Issued or Capital Contributions:</b>		
57	Total issuance of stock or capital contributions . . . . .	\$	\$
58	Less: issuances to settle long-term debt, and . . . . .		
59	Consideration in acquisition of business entities . . . . .		
60	<b>Cash Proceeds from Issuing Stock or Capital Contributions . . . . .</b>	<b>\$</b>	<b>\$</b>

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	264,925	\$ 23,075	-	\$ -
2	Food	1,960,900	19,609	-	-
3	Beverage	4,116,800	10,292	-	-
4	Travel	-	-	61,949	6,133
5	Bus Program Cash	-	-	320	4
6	Other Cash Complimentaries	-	-	3,056,000	38,200
7	Entertainment	125,200	2,504	-	-
8	Retail & Non-Cash Gifts	207,600	1,038	288,000	1,440
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	6,675,425	\$ 56,518	3,406,269	\$ 45,777

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	64,834	\$ 5,647	-	\$ -
2	Food	455,900	4,559	-	-
3	Beverage	940,800	2,352	-	-
4	Travel	-	-	12,646	1,252
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	-	-	712,640	8,908
7	Entertainment	12,450	249	-	-
8	Retail & Non-Cash Gifts	51,400	257	80,000	400
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	1,525,384	\$ 13,064	805,286	\$ 10,560



**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION**

Marina Associates (the "Partnership") operates as a general partnership which owns and operates a casino hotel located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. Harrah's Operating Company, Inc. ("HOC"), a direct wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's") through its subsidiaries, is the sole owner of the Partnership. A substantial portion of the Partnership's revenues are derived from gaming operations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash Equivalents** - Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

**Inventories** - Inventories of provisions and supplies are valued at the lower of cost, weighted average, or market.

**Property and Equipment** - Property and equipment are stated at cost, including capitalized interest. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the assets, as follows:

Buildings, leaseholds and improvements	40 years
Furniture, fixtures and equipment	3 - 10 years

**Long-Lived Assets** - During 1996, the Partnership adopted the provisions of Statement of Financial Standard No. 121, "Accounting for the Impairment of Long-Lived Assets" ("SFAS 121"). SFAS 121 requires, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. During 2001, no business conditions or events occurred which may indicate a possible impairment. The assessment for potential impairment is based primarily on the Company's ability to recover the unamortized balance of its long-lived assets from expected future cash flows from its operations on an undiscounted basis.

**Investments in Subsidiaries** - During 1999, the Company, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately \$10,325. The existing facilities located on the parcel site were demolished and a new plaza was constructed on the site. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of \$1,120 per year. Project spending as of December 31, 2001 amounted to approximately \$2,365.

**Revenue Recognition** - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**Promotional Allowances** - Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues.

**Income Taxes** - The accompanying financial statements do not include a provision for federal income tax purposes by the individual partners. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of tax assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

**Disclosures** - In accordance with the Quarterly Report Instructions, the Partnership has not submitted updated information for the summary of future lease obligations and contribution of savings and retirement plan in which employees of the Partnership may participate. There has been no significant changes to the information submitted in our December 31, 2000 Annual Report.

**Use of Estimates** - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

**Casino Licensing** - In April 2000, the New Jersey Casino Control Commission renewed the Partnership's casino license through April 2004. A New Jersey casino license is not transferable and must be renewed by filing an application.

**Recent Accounting Pronouncements** - In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard is effective for fiscal years beginning after June 15, 2002. The Partnership does not expect the adoption of SFAS No. 143 to have a material impact on the Partnership's financial results.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The standard is effective for fiscal years beginning after December 15, 2001. The Partnership does not expect the adoption of SFAS No. 144 to have a material impact on the Partnership's financial results.

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and Equipment as of December 31 consisted of the following:

	<u>2001</u>	<u>2000</u>
Land and Land Improvements	\$ 71,188	\$ 70,659
Buildings, Leaseholds and Improvements	347,355	334,516
Furniture, Fixtures and Equipment	150,863	143,493
Construction in Progress	<u>92,506</u>	<u>12,761</u>
	661,912	561,429
Less Accumulated Depreciation	<u>(250,877)</u>	<u>(229,553)</u>
Property and Equipment, Net	<u>\$411,035</u>	<u>\$331,876</u>

**NOTE 4 - LONG-TERM DEBT**

Long-term debt as of December 31 consisted of the following:

	<u>2001</u>	<u>2000</u>
Revolving Credit and Letter of Credit		
Facility, 3.2375% - 8.00% at December 31, 2001		
and 7.0500% - 7.8750% at December 31, 2000,		
maturing in 2004, with interest payable monthly	<u>\$650,000</u>	<u>\$500,000</u>

HOC and the Partnership have revolving credit and letter of credit facilities (the "Bank Facility"), which provide a borrowing capacity of \$1,835,000 with a sublimit to the Partnership of \$500,000. The Bank Facility consists of a five-year \$1,525,000 revolving credit and letter of credit facility maturing in 2004 and a separate \$328,000 revolving credit facility, which is renewable annually at the borrower's and lenders' options. As of December 31, 2000, the Partnership's intercompany loan balance with HOC in connection with the Bank Facility was \$500 million.

On October 31, 2001, the Partnership retired \$500,000 of its borrowings associated with the Bank Facility. Future borrowings by the Partnership will be done through an intercompany note with HOC, which will be subject to appropriate approvals from New Jersey governmental agencies. Accordingly, effective October 31, 2001, the Partnership and HOC consummated a promissory note for \$650,000. All principal and interest outstanding on this promissory note will be due and payable on demand to HOC. Interest is computed on an annual basis using 360 days for the actual number of days elapsed during a year, and an annual rate of 8%. Any amount of principal not paid by the Partnership to HOC when due will bear an additional 2% annual interest rate.

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets as of December 31 consisted of the following:

	<u>2001</u>	<u>2000</u>
Prepaid Taxes	\$ 860	\$ 775
Prepaid Insurance	321	263
Prepaid Air Charters	1,455	1,909
Prepaid Marketing	536	374
Prepaid Other	<u>1,007</u>	<u>427</u>
	<u>\$4,179</u>	<u>\$3,748</u>

**NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, Advances and Receivables as of December 31, consisted of the following:

	<u>2001</u>	<u>2000</u>
Notes Receivable	\$ 962	\$ 1,662
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of \$2,848 and \$2,811 at December 31, 2001 and 2000, respectively	1,854	1,788
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of \$1,023 and \$1,188 at December 31, 2001 and 2000, respectively	6,413	4,346
Due from Affiliates	<u>379,141</u>	<u>242,368</u>
	<u>\$388,370</u>	<u>\$250,164</u>

Due from Affiliates as of December 31 consisted of the following unsecured, non-interest bearing intercompany amounts:

	<u>2001</u>	<u>2000</u>
Harrah's New Jersey, Inc.	\$ 18,962	\$ 18,962
I/C- Embassy Suites	346,059	212,850
Northeast Regional Office	4,960	4,763
Harrah's Lake Tahoe	134	136
Embassy Suites, Inc.	1,940	1,940
Harrah's Del Rio	185	184
Harrah's Reno	2,015	942
Harrah's Las Vegas	82	127
Bill's Casino	111	111
Harrah's Vicksburg	24	25
Harrah's Joliet	526	315
Harrah's New Orleans	1	1

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

Harrah's Tunica	-	5
Harrah's Shreveport	15	18
Harrah's St. Louis	74	75
Harrah's North Kansas City	42	43
Harrah's Cherokee	579	332
Harrah's Prairie Band	21	21
Harrah's Ak Chin	-	3
Harrah's Showboat	2,786	1,178
Showboat East Chicago	547	290
Harvey's	31	-
Harrah's Gold Card	47	47
	<u>\$379,141</u>	<u>\$242,368</u>

The Partnership transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership to fund daily operations, including accounts payable and payroll, as well as capital expenditures. The net transfers to HOC were \$37.7 million and \$33.0 million for the three months ended December 31, 2001 and 2000, respectively.

**NOTE 7 - OTHER ASSETS**

Other Assets as of December 31 consisted of the following:

	<u>2001</u>	<u>2000</u>
Deposits	\$ 70	\$ 121
Deferred Other	432	77
Deferred Finance Charges	-	1,239
Deferred and Prepaid CRDA Obligations	<u>13,964</u>	<u>15,944</u>
	<u>\$14,466</u>	<u>\$17,381</u>

**NOTE 8 - INVESTMENT OBLIGATIONS**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Partnership may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

The Partnership includes CRDA investment bonds and funds on deposit with the CRDA in investments, advances and receivables. The Partnership records a charge to operations to reflect the estimated realizable value of its CRDA investment obligations.

Through 2001 the Partnership was required to make deposits with the CRDA of approximately \$75,460 towards its obligations through that date, of which \$74,236 was deposited. The Partnership's obligation for the fourth quarter of 2001 of approximately \$1,224 was deposited in January 2002.

The Partnership has committed \$11,986 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. This amount has been capitalized and is being amortized on a straight-line basis over a 15 year period since the Convention Center reopened for operations during September 2001. Investments, advances and receivables at December 31, 2001 reflect \$2,420 in deposits which have been earmarked for the project.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2001, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City at an estimated cost to the Partnership of approximately \$54,500. As of December 31, 2001, approximately \$54,410 has been expended by the Partnership of which approximately \$4,123 was reimbursed to the Partnership from certain government grants and \$18,742 represented a prepayment position of the Partnership's future obligations.

In December 1999, the CRDA approved a credit exchange agreement between Harrah's Atlantic City and Atlantic City Showboat. The credit exchange agreement resulted in Harrah's Atlantic City exchanging \$4,628 of its future South Jersey CRDA obligations for \$4,628 of Atlantic City Showboat's current Atlantic City CRDA obligations. Harrah's Atlantic City received this amount in January 2000 as a reimbursement of its prepaid Atlantic City obligation, previously mentioned.

**NOTE 9 - OTHER ACCRUED EXPENSES**

Other Accrued Expenses as of December 31 consisted of the following:

	<u>2001</u>	<u>2000</u>
Accrued Salaries, Wages and Benefits	\$ 9,394	\$10,741
Taxes Payable	1,061	2,038
Accrued In-House Progressive Slot Liability	143	123
Accrued City Wide Progressive Slot Liability	771	573
Accrued Interest, Long-term debt	9,073	2,272
Accrued Casino Control Commission / Department		
Gaming Enforcement Casino License Fees	532	854
Other Accrued Expenses	<u>18,854</u>	<u>5,767</u>
	<u>\$39,828</u>	<u>\$22,368</u>

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 10 - OTHER LIABILITIES**

Other Liabilities as of December 31 consisted of the following:

	<u>2001</u>	<u>2000</u>
Due to Affiliates, Long-term	\$39,772	\$39,750
Other	<u>3,984</u>	<u>5,734</u>
	<u>\$43,756</u>	<u>\$45,484</u>

Due to Affiliates at December 31 consisted of the following unsecured, non-interest bearing inter-company accounts:

	<u>2001</u>	<u>2000</u>
Harrah's Holdings, Inc.,	\$ 603	\$ 603
Harrah's Atlantic City, Inc.	38,855	38,855
Harrah's Ak Chin	21	-
Harrah's Holiday Inns of New Jersey, Inc.	<u>293</u>	<u>292</u>
	<u>\$39,772</u>	<u>\$39,750</u>

**NOTE 11 - CHARGES FROM AFFILIATES - OTHER**

**Use of Trademarks** - The Partnership entered into a license agreement in August 1995 with Harrah's Las Vegas, Inc., for the use of certain licensed trademarks. The licensing agreement was renewed in 2001 for an additional five-year period. Under the agreement, the Partnership is required to pay a fixed license fee of \$34,050 per year. For the twelve months ended December 31, 2001 and 2000, the Partnership's license fee was \$34,050 and \$19,355, respectively.

**Administrative Services** - The Partnership is charged a fee from HOC for administrative services (including legal, accounting and insurance). The Partnership was charged \$11,086 and \$9,187 for these services for the twelve months ended December 31, 2001 and 2000, respectively.


**NOTE 12 -NONOPERATING INCOME (EXPENSE) - NET**

In December 1998, the Partnership sold two parcels of land to the State of New Jersey. However, the valuation of the land sold to the State of New Jersey in 1998 was under dispute between these two respective parties. During December 2001, the Partnership and the State of New Jersey settled the real estate condemnation dispute resulting in the Partnership realizing a gain of \$14,196.

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**STATEMENTS OF CONFORMITY, ACCURACY AND COMPLIANCE**

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this Quarterly Report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
\_\_\_\_\_  
Signature

Vice President of Finance and Casino Marketing  
\_\_\_\_\_  
Title

7022-11  
\_\_\_\_\_  
License Number

On Behalf of:

Marina Associates  
\_\_\_\_\_  
Casino Licensee

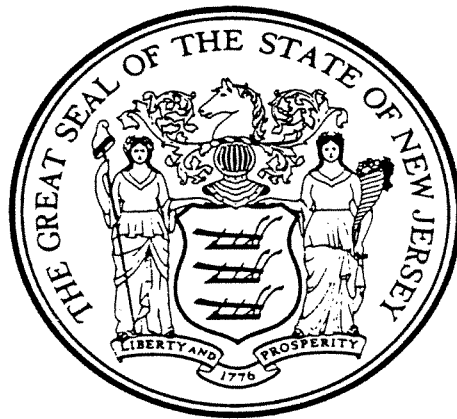
CCC-249



# **ANNUAL EMPLOYMENT AND PAYROLL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2001

(\$ IN THOUSANDS)

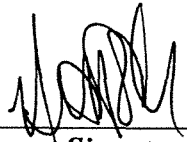
LINE (a)	DESCRIPTION (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	<b>CASINO</b>				
1	Administration	0			
2	Gaming	547			
3	Slots	241			
4	Casino Accounting	55			
5	Other	370			
6	Total - casino	1,213	\$ 33,228	\$ -	\$ 33,228
7	<b>ROOMS</b>	326	7,965	0	7,965
8	<b>FOOD AND BEVERAGE</b>	831	15,815	0	15,815
9	<b>OTHER OPERATED DEPARTMENTS</b>				
10	Cafeteria	17	1,141	0	1,141
11	Communications	14	275	0	275
12	Gift Shop	13	344	0	344
13				0	0
14					0
15					0
16					0
..19					0
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office	4	727	0	727
21	Accounting and auditing	44	1,838	0	1,838
22	Security	181	4,405	0	4,405
23	Other administrative and general department	207	5,755	0	5,755
24	<b>MARKETING</b>	8	583	0	583
25	<b>GUEST ENTERTAINMENT</b>	29	1,155	0	1,155
26	<b>PROPERTY OPERATION AND MAINTENANC</b>	285	9,166	0	9,166
27	<b>TOTALS - ALL DEPARTMENTS</b>	3,172	\$ 82,397	\$ -	\$ 82,397

TRADING NAME OF LICENSEE: HARRAH'S CASINO HOTEL, ATLANTIC CITY

**ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE**

FOR THE YEAR ENDED DECEMBER 31, 2001

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

  
\_\_\_\_\_  
*Signature*

April 01, 2002

*Date*

Vice President of Finance and Casino Marketing

*Title*

# **GROSS REVENUE ANNUAL TAX RETURN**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY\_

# AMENDED GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2001  
(\$ in Thousands)

Amended

3/21/02

Line

CASINO WIN:

1.	Table and Other Games Win.....	\$	51,659
2.	Slot Machines Win.....		361,408
3.	Total Win.....		413,067

Less - Adjustment for Uncollectible Patrons' Checks:

4.	Provision for Uncollectible Patrons' Checks .....	\$	-
5.	Maximum Adjustment (4% of line 3) .....	\$	16,523
6.	Adjustment (the lesser of line 4 or line 5) .....	\$	-
7.	Gross Revenue (line 3 less line 6).....	\$	413,067
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....	\$	33,045
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years .....	\$	-
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....	\$	33,045
11.	Total Deposits Made for Tax on Reporting Year's Gross Revenue.....	\$	(33,045)
Settlement of Prior Years' Tax on Gross Revenue			
12.	Resulting from Audit or Other Adjustments - (Deposits) Credits .....		-
13.	Gross Revenue Taxes Payable (the net of lines 10, 11 and 12) .....		-

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 15, 2002

Date

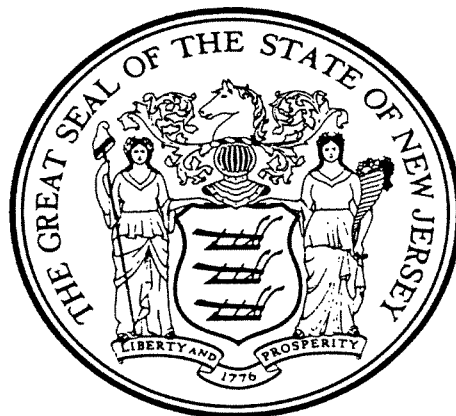
  
Signature

Director of Finance

# **SCHEDULE OF RECEIVABLES AND PATRON'S CHECKS**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



**SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**

December 31, 2001

(UNAUDITED)

(\$ IN THOUSANDS)

**Accounts Receivable Balances**

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
1	Patrons' Checks			
	Undeposited patrons' checks . . . .	\$ 2,332		
2	Returned patrons' checks . . . .	2,371		
3	Total patrons' checks . . . . .	4,703	\$ 1,752	\$ 2,951
4	Hotel Receivables . . . . .	546	28	518
5	Other Receivables:			
	Receivables due from officers and employees . . . .	5		
6	Receivables due from affiliates . . . . .	0		
7	Other accounts and notes receivable . . . . .	14,441		
8	Total other receivables . . . . .	14,446	0	14,446
9	<b>Totals (Form 205) . . . . .</b>	<b>\$ 19,695</b>	<b>\$ 1,780</b>	<b>\$ 17,915</b>

**UNDEPOSITED PATRON'S CHECKS ACTIVITY**

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) . . . . .	\$ 2,947
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) . . . . .	97,752
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits) . . . . .	(53,250)
13	Checks collected through deposits . . . . .	(42,661)
14	Checks transferred to returned checks . . . . .	(2,456)
15	Other adjustments . . . . .	0
16	Ending Balance . . . (Includes Foreign credit) . . . . .	\$ 2,332
17	"Hold" Checks Included in Balance on Line 16	\$ 0
18	Provision for Uncollectible Patrons' Checks	\$ 0
19	Provision as a Percent of Counter Checks Issued	0.0%

4/86

CCC-340

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

Date

Signature

Vice President of Finance and Casino Marketing  
Title